

Message Text

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ACTION EB-11

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FM AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EAIR, CA

SUBJECT: CIVAIR: ALBERTA ACQUIRES PACIFIC WESTERN AIRLINES.

1. EMBASSY WOULD ADD FOLLOWING TO CALGARY'S COMPREHENSIVE REPORT (A-91, AUGUST 3, 1974) OF ALBERTA DECISION ACQUIRE PACIFIC WESTERN AIRLINES (PWA). TWO MINOR CORRECTIONS ARE IN ORDER:

A) THE ONTARIO CONTROLLED CARRIER IS NORONTAIR, NOT NORDAIR;

B) EASTERN PROVINCIAL AIRLINES, WE HAVE BEEN ASSURED BY MOT, IS NOT CONTROLLED BY THE MARITIME PROVINCES BUT IS A PUBLIC COMPANY CONTROLLED BY A PROMINENT NEWFOUNDLAND FAMILY, ONE MEMBER OF WHICH IS A MEMBER OF THE PROVINCIAL CABINET.

2. PWA'S MANAGEMENT REPORTEDLY IS TO BE MAINTAINED AND NO SHORT-TERM CHANGES IN ITS OPERATIONS (INCLUDING SCHEDULED AND CHARTER SERVICES TO US POINTS) HAVE BEEN INDICATED. HOWEVER, LONGER TERM IMPLICATIONS REMAIN TO BE SEEN. ACQUISITION IS SIGNIFICANT WITHIN THE CONTEXT OF

(A) INCREASED PROVINCIAL ACTIVITY IN AVIATION
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(SEE A-597, NOVEMBER 13, 1973 AND A-384, JULY 31, 1974);

(B) THE JOINT FEDERAL-PROVINCIAL ENDEAVOUR TO IMPROVE TRANSPORT SERVICES IN WESTERN CANADA (SEE A-134, MARCH 27 AND A-319, JULY 6, 1974); AND

(C) FEDERAL EFFORTS TO EVOLVE NEW DOMESTIC AVIATION POLICY FOR THIRD LEVEL CARRIERS AS WELL AS DEMARCATÉ ROLES BETWEEN THEM AND THE REGIONALS (SEE A-42, JANUARY 30, 1974).

3. THERE IS ALSO A QUESTION AS TO WHETHER AIR TRANSPORT COMMITTEE (ATC) OF THE CANADIAN TRANSPORT COMMISSION (CTC) MUST APPROVE ALBERTA ACQUISITION. AT MOMENT ATC HAS BEFORE IT CASE IN WHICH WHITE PASS AND YUKON CORP. LTD. (INTEGRATED SURFACE TRANSPORTATION OPERATOR IN NORTH-WEST CANADA) HAD BEEN SEEKING RIGHT TO ACQUIRE AIRLINE OVER OPPOSITION PWA MANAGEMENT. PROVINCE OF ALBERTA ALSO OWNS A SMALL RAILROAD AND CANADIAN LAW RESTRICTS OWNERSHIP OF TRANSPORT COMPANIES IN MORE THAN ONE MODE WITHOUT CTC PERMISSION. ANY EFFORT BY ATC OR CTC TO BLOCK ALBERTA ACQUISITION WOULD OF COURSE PRODUCE MAJOR FEDERAL-PROVINCIAL CLASH. MORE LIKELY IS THAT ISSUES WILL BE FOUGHT OUT ON CASE BY CASE BASIS WITHIN FRAMEWORK FEDERAL POWER TO REGULATE AVIATION AS PWA ROUTE AND SERVICE PROPOSALS ARE CONTESTED BY SMALLER OPERATORS. QUESTION WILL THEN EMERGE AS TO WHETHER FEDERAL OR PROVINCIAL GOVERNMENT SHOULD PLAN AVIATION DEVELOPMENT IN AN INDIVIDUAL PROVINCE. THIS SITUATION HAS ARISEN WITH RESPECT TO ONTARIO'S ESTABLISHMENT OF NORONTAIR (SEE A-597, NOVEMBER 13, 1973). WHEN ATC GAVE ONE OF ITS PROPOSED ROUTE SEGMENTS TO INDEPENDENT CARRIER, PROVINCIAL GOVERNMENT PRESSURES ON GOC INDUCED DIRECTIVE TO ATC THAT IT RECONSIDER MATTER. SUBSEQUENTLY, NORONTAIR GOT THE FULL ROUTE STRUCTURE LAID OUT FOR IT BY PROVINCIAL GOVERNMENT.
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